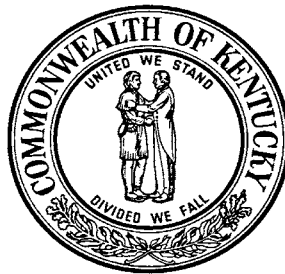


**REPORT OF THE AUDIT OF THE
HENDERSON COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

May 28, 2002



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Sandy Lee Watkins, Henderson County Judge/Executive
Honorable Dennis Clary, Henderson County Sheriff
Members of the Henderson County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the Henderson County Sheriff's Settlement - 2001 Taxes.

We engaged Carpenter, Mountjoy & Bressler, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC, evaluated the Henderson County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF CARPENTER, MOUNTJOY & BRESSLER, P.S.C.
AUDIT EXAMINATION OF THE
HENDERSON COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

May 28, 2002

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HENDERSON COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES

May 28, 2002

Carpenter, Mountjoy & Bressler, PSC has completed the audit of the Sheriff's Settlement - 2001 Taxes for Henderson County Sheriff as of May 28, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$13,876,824 for the districts for 2001 taxes. The Sheriff distributed taxes of \$13,437,292 to the districts for 2001 taxes. Refunds of \$803 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

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Honorable Dennis Clary, Henderson County Sheriff

Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the Henderson County Sheriff's Settlement - 2001 Taxes as of May 28, 2002. This tax settlement is the responsibility of the Henderson County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

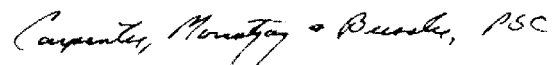
As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Henderson County Sheriff's taxes charged, credited, and paid as of May 28, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Sandy Lee Watkins, Henderson County Judge/Executive
Honorable Dennis Clary, Henderson County Sheriff
Members of the Henderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC
Frankfort, Kentucky

Audit fieldwork completed -
August 21, 2002

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

May 28, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,313,277	\$ 1,194,616	\$ 6,049,456	\$ 1,908,944
Tangible Personal Property	199,622	186,880	919,533	1,085,081
Intangible Personal Property				410,091
Fire Protection	1,089			
Increased Through Erroneous Tax Assessments	286	255	1,317	414
Franchise Corporation Taxes	134,481	126,030	620,023	
Additional Billings	134	120	617	194
Unmined Coal - Prior Year Taxes	992	894	4,579	1,743
Unmined Coal - 2001 Taxes	11,927	10,659	54,942	17,257
Oil and Gas Property Taxes	12,826	11,462	59,083	18,557
Limestone, Sand, and Mineral Reserves	4	4	20	6
Penalties	8,685	7,908	39,985	16,624
Adjusted to Sheriff's Receipt	(2)	(22)	(13)	(35)
Gross Chargeable to Sheriff	<u>\$ 1,683,321</u>	<u>\$ 1,538,806</u>	<u>\$ 7,749,542</u>	<u>\$ 3,458,876</u>
<u>Credits</u>				
Exonerations	\$ 5,265	\$ 4,794	\$ 24,252	\$ 12,145
Discounts	25,153	22,999	115,801	56,302
Delinquents:				
Real Estate	30,819	27,655	141,942	44,534
Tangible Personal Property	3,917	3,667	18,042	10,747
Intangible Personal Property				1,070
Unmined Coal - Prior Year Taxes	51	46	237	88
Unmined Coal - 2001 Taxes	528	472	2,431	764
Total Credits	<u>\$ 65,733</u>	<u>\$ 59,633</u>	<u>\$ 302,705</u>	<u>\$ 125,650</u>
Net Tax Yield	\$ 1,617,588	\$ 1,479,173	\$ 7,446,837	\$ 3,333,226
Less: Commissions *	<u>69,035</u>	<u>62,865</u>	<u>148,937</u>	<u>141,950</u>
Net Taxes Due	\$ 1,548,553	\$ 1,416,308	\$ 7,297,900	\$ 3,191,276
Taxes Paid	1,546,772	1,414,422	7,288,457	3,187,641
Refunds (Current and Prior Year)	<u>2,075</u>	<u>1,890</u>	<u>9,647</u>	<u>3,936</u>
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (294)</u>	<u>\$ (4)</u>	<u>\$ (204)</u>	<u>\$ (301)</u>

* and ** See Page 4.

HENDERSON COUNTY
DENNIS CLARY, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
May 28, 2002
(Continued)

* Commissions:

10% on \$	10,000
2% on \$	7,446,837
4.25% on \$	6,419,987

** Special Taxing Districts:

Library District	\$	(1)
Health District		<u>(3)</u>
(Refunds Due Sheriff)	\$	<u><u>(4)</u></u>

The accompanying notes are an integral part of the financial statement.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

May 28, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 28, 2002 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
May 28, 2002
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2001 through April 30, 2002.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2001. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 17, 2001 through April 30, 2002.

Note 4. Interest Income

The Henderson County Sheriff earned \$13,927 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Henderson County Sheriff collected \$49,354 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of August 21, 2002, the Sheriff owes \$388 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Henderson County Sheriff collected \$2,390 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the fee account as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

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Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Henderson County Sheriff's Settlement - 2001 Taxes as of May 28, 2002, and have issued our report thereon dated August 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henderson County Sheriff's Settlement - 2001 Taxes as of May 28, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henderson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

Carpenter, Mountjoy & Bressler, PSC

Carpenter, Mountjoy & Bressler, PSC
Frankfort, Kentucky

Audit fieldwork completed -
August 21, 2002

